

**HOME BUILDING FINANCE IRELAND (THE “COMPANY”)**

**MINUTES OF A MEETING OF THE  
BOARD OF DIRECTORS OF THE COMPANY  
DULY CONVENED, CONSTITUTED AND HELD AT 12.30 pm  
on Thursday 3<sup>rd</sup> September 2020, per videoconference due to Covid-19 restrictions.**

**PRESENT:** Marie Collins (Chairperson)  
Andrew O’Flanagan  
Claire Solon  
Ken Slattery (Chairperson Audit & Risk Committee)  
Grainne Hennessy  
Dara Deering (CEO)  
Des Carville (except item 10).

**IN ATTENDANCE:** Sean Alger, Head of Credit & Risk.  
Michael Broderick, Chief Commercial Officer.  
Stephen McHugh, Senior Credit Manager (item 10)  
Denise Donovan, Head of Operations and Finance (items 11&12)  
Joe Colgan, Acting Company Secretary/Senior Audit & Risk Manager.

**1. NOTICE AND QUORUM**

The Chairperson noted that notice of the meeting and of the nature of the business to be conducted had been given to all directors entitled to attend the meeting and that a quorum, being two directors, was present in accordance with the Company’s Articles of Association (the “**Articles**”). It was further noted that all the directors present were, pursuant to the Articles of Association of the Company, entitled to vote and be counted in the quorum. The meeting then proceeded to business.

**2. LIMITATIONS TO THE NUMBER OF DIRECTORSHIPS AND RESIDENCY REQUIREMENTS UNDER THE COMPANIES ACT 2014**

It was noted that pursuant to Section 137 of the Companies Act 2014 (as amended) (the “**Act**”), at least one of the directors of the Company is resident in a Member State of the European Economic Area and that no director present individually held more than twenty-five directorships for the purposes of Section 142 of the Act and was therefore eligible to vote on all board resolutions brought before the meeting.

**3. DISQUALIFICATION AND RESTRICTION ORDERS AND UNDERTAKINGS**

Those directors present each declared that they were not the subject of any declaration, order or deemed order for disqualification or restriction under the Act including Part 14, Chapters 3 and 4 and had not received any notice under that Part of the Act including any notice concerning a disqualification or restriction undertaking under Part 14, Chapter 5.

**4. DECLARATIONS OF INTEREST**

For the purposes of Section 231 of the Companies Act 2014 and the Constitution of the Company, there were no material interests declared by the directors present at the meeting in the business to be transacted at the meeting save for the disclosure by Des Carville that given his position as a director of the EIB, he would recuse himself from item number 10

**5. MINUTES AND MATTERS ARISING.**

**IT WAS RESOLVED THAT** the minutes of the Board meetings held on 23<sup>rd</sup> July 2020 and the 14<sup>th</sup> August 2020 be **APPROVED** subject to some non-material changes.

**6. CONFIRMATION IN RELATION TO RESERVED MATTERS.**

The Company Secretary confirmed that the HBFI Executive Management Team is satisfied that reserved matters which require consideration by the Board have been brought to the Board's attention.

**7. CEO Update**

The CEO updated the Board as follows:

- A formal request has been submitted to the Department of Finance for an additional €100m allocation to the Momentum Fund.
- On Covid-19 the CEO advised that there are still only limited numbers of employees working in Treasury Dock. She also advised that while Board and Committee meetings are still expected to take place via WebEx for the remainder of the year, if the Board want to meet face to face, this could be facilitated in due course.
- The mid-year Business update to key stakeholders is due to take place in the next two weeks with support from NTMA Communications.
- Staffing levels are being kept under review. A new Business Development Manager commenced in August.

**8. Business Update.**

**THIS ITEM HAS BEEN REDACTED IN PART.**

The CCO presented the business update detailing the following:

- There continues to be considerable interest across the entire HBFI product range.
- There may be longer completion times on some projects due to social distancing measures and increased delivery times for some materials being supplied by third parties, but it is still too early to determine level of impact
- The new home market remaining steady with no evidence of price reductions.
- 
-

## **9. Risk Update**

### **THIS ITEM HAS BEEN REDACTED IN PART.**

The Head of Credit & Risk (HoCR) along with the Senior Audit and Risk Manager presented the risk update.

#### **i. Risk Report including Risk Register**

The Senior Audit & Risk Manager presented the report. He advised that the increased ratings applied in the last review to the risks impacted by Covid-19 were being retained for a further period but would be kept under review as the situation evolved.

He confirmed that there had been no operational events since the last report and that the only remaining open event had now been closed off with the receipt of a signed subordination agreement from the borrower.

He also detailed that the third-party review of HBFI's Website support and security oversight provider had been completed with no issues arising. He also advised the Board that NTMA Compliance had completed a review of the AML compliance as carried out by HBFI's primary service provider stating while a final report was still awaited no major issues had been highlighted.

#### **ii. Risk Appetite KPI's**

The HoCR advised that two loans approved by the Board had exceeded the €75m maximum loan requirement as set out in the Risk Appetite Statement. He expressed the view that the €75m limit is still appropriate for the vast majority of HBFI's business. The Board queried the appropriateness of retaining the maximum loan amount at €75m in the RAS considering the two recent loan approvals under the Momentum. The HoCR pointed out that there were no other requests of this size in the pipeline. It was agreed that the figure would be kept under review particularly in respect of future approvals granted under the Momentum fund.

#### **iii. Credit Decision Report**

The HoCR provided details of four loans approved by HBFI(L) and EMT Credit Committees. He noted one of these cases approved at an LTC of 79% has the potential for a breach in 80% LTC if there are delays in sales completing. He advised that if this occurred it would be an exception to policy requiring approval from the Board. Details were also provided by the HoCR on the one declined application.

#### **iv. Loan Portfolio Report**

The HoCR provided a breakdown of the loan portfolio highlighting that while the LTC/LTV were reducing this was primarily due to the two large loans recently approved.

#### **v. Account Review Schedule.**

HoCR confirmed all account reviews are up to date.

**10. Item 10 was moved to the end of the agenda.**

Denise Donovan joined the meeting.

**11. Interim Financial Statements**

The Head of Operations and Finance joined the meeting. She presented the 2020 Interim Financial Statements for approval. She pointed out that under the Code of Practice, the interim statements should have been submitted to the Department by 31 August. She confirmed that agreement was obtained from the Department to allow submission after the September Board meeting. She highlighted that the actual operating loss for the period had been less than budgeted, with loans and interest income behind budget offset by lower operating expenses.

The Chairperson of the Audit & Risk Committee confirmed that the Financial Statements had been reviewed by the Committee and were being recommended to the Board.

It was Resolved that the 2020 Interim Financial Statements be approved as presented.

**12. Strategic Goals & Reforecast for 2020**

The Head of Operations and Finance presented an update on the Strategic Goals and the Reforecast for year-end 2020. She provided an update on the Goals and KPI's based on performance up to 31 July 2020. She highlighted to the Board that the reforecast for 2020 takes into account performance to date and expected performance for the remainder of the year. She advised the Board that the budget for 2021 would be presented at the December meeting.

The Board noted the strong impact the Momentum Fund has had on the projections for lending. In response to a query on the positive operating expenses variance, the Head of Operations and Finance explained that a number of budgeted costs were based on 2019 figures where a number of one-off costs had been incurred during set up.

The Board noted the strategic Goals update. It was Resolved that the 2020 Re-Forecast be approved as presented.

Denise Donovan left the meeting.

**13. Update from Audit and Risk Committee**

The Chairperson of the Audit & Risk Committee provided a verbal update of the meeting held by the Committee on the 3rd September 2020.

- He outlined the update received on the Terms of Reference for the Committee and other risk documents, (the Risk Management Policy & Framework and the Risk Appetite Statement) noting that no changes were being made to these documents at this juncture.

- He also noted the annual presentation made by the Head of Legal. He highlighted the need for ongoing monitoring of legal expenses to ensure value for money is being obtained.
- He provided the Board with details of the outcome of the first internal audit review which was carried out on the lending process and confirmed that a paper would be brought to the next Board meeting outlining a summary of the audit outcomes. He expressed his satisfaction with the overall outcome of the audit.
- The Chairperson also provided details of the Committees discussion with the Head of Internal Audit.
- He advised as best practice that the overall fees paid to HBFI's Internal Audit firm KPMG for both audit and non-audit work should be monitored to ensure the ongoing independence of the internal auditors. He requested that a report be submitted twice a year (July & Jan) to the Audit and Risk Committee in this regard.

#### **14. AOB**

With the next Board meeting not scheduled until the 22<sup>nd</sup> October it was agreed that an additional meeting of the Board be scheduled for the end of September.

Des Carville left the meeting.

#### **10. EIF COSME Guarantee and HBFI Credit Policy**

Stephen McHugh joined the meeting.

The Chief Commercial Officer (CCO) presented a paper for approval of HBFI to enter into a Direct Guarantee Agreement with the EIF for admission to the COSME Loan Guarantee Scheme. He told the Board that HBFI had been successful in its application. He then outlined the key commercial considerations of the COSME guarantee and the legal advices that had been received in relation to the guarantee agreement itself and in relation to state aid.

The CCO recommended that the Board approves HBFI entry into the scheme noting that HBFI(L) will be the contracting entity and that EMT be delegated to accept any non-material amendments that may be proposed by the EIF.

In response to queries from the Board the CCO confirmed that borrowers would be made aware of the requirement to having details of the project along with personal details published on the EIF website. He also confirmed that the guarantee is at zero cost to HBFI and assists in de-risking what will be some of the higher risk loans.

It was Resolved that HBFI's entry into the COSME Loan Guarantee Scheme be Approved on the basis presented.

The Senior Credit Manager presented the amendments to the HBFI Credit Policy arising out of the approval of HBFI's entry into the COSME guarantee scheme. The Head of Credit & Risk also highlighted the addition of a section on the three lines of defence following a recommendation by Internal Audit in their recent review of the lending process.

It was Resolved that the amendments to the Credit Policy be Approved as Presented.

**CLOSE**

There being no further business the meeting then terminated.

---

Chairperson